PRECEIVED

App. F. IX-4

Previous References

1936-7
( )
F.7.

File No. 7-36
Serial Nos. 146

2.3.24(1R)

Later References.

F.7.169-39(1R)
" 149-40(14,16,17)
GF 176-45(4,7,8,9,10)
Elec 100-53(12,20,25,35.)

B.T.Srs-
Pressed

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. F.6.7
-1

Part B for September 1935

SUBJECT.

Re. Organization of the Financial Branch of the Chief Electrical Engineer's Offi

F(1) T. H. Campbell Esq. C.B.E.
D 0573—GPB—22,500—12-9-89 Chief Elec. Engr.
" Asst. Head of Dept.
" Secretaries Dept.
Comptroller
N. F.E.1328-38 15/9/39
re: Direct. re Organization of the Financial Br. of the C.E.E.'s Offi.

MRV 1/11/39

General & Revenue Secretariat. | G.F. File No. 7 - II of 1936. | [App. F.-III–2]

Serial No.

1. No 9/Hr. A 9/10.7.36 from the Co
forwards a Copy of the Report of the
Accountant's Memo on the Defalcation
in the Electrical dept & suggesti
some changes in the Organisation
the Financial Branch of the C.E.E
Office.

H Secy
1 " Replies & file

D.S

2 Subs with references.

Sk 7/7 NM/14/7

3 H Secy) NM 15/7

4 Submitted in the first instance
for perusal. After words it will
be worked up & submitted in One
Course

Dewan (thro'
El- Secy) 22/7.

DEWAN'S OFFICE
31 JULY 1936
No. 264

Submitted
Dewan) 31/7/36

6

3/8 NM/7/8

Subd.
Sk 5/8 NM/5/8

P.T.O.

NOTE—Contn. Sheet.

2 Electrical Deptt. Procedure and Financial Branches.

File No. 7 of 1936 | General and Revenue Secretariat

8 Please see the note of the Electl. Deptt in the Record of the marked files stating that the Case is still on in the Court.

9 The finding of the Court might be of assistance in locating the fault either with the System of accounts or with the mismanagement of the officers concerned. It is perhaps hardly desirable that the subject of these files also, viz. Change in the procedure of the Financial Branch is deferred for disposal till after the Judgment.

10 Reference is invited to the two letters of the Comptr. - Serial 1 & 2. A perusal thereof does not seem to vindicate any necessity of any far-reaching Changes. The internal audit organisation in the various Financial Branches has been found to be efficient enough, though it has not proved all that was claimed for it in the G.O of 8.1.25 (G.I.S.-3-26-2 dt. 8.1.25 G.O). The declaration in the Carting Bills has perhaps cast a shadow on the efficacy of the organisation, but has not brought out anything fundamentally wrong with the Organisation itself.

11 The slight change

General and Revenue Secretariat | File No. 7 of 1936. | [App. F. III—2

Serial No.

suggested by the Comptt under paragraph 2 of Serial two have relation to the internal arrangement in the Secl Branch viz a viz the C.E.E's office as a whole. Pending the Comptt's findings it is for orders of the present C.F.E. Mr. Foster who worked the scheme from its inception may not be consulted on the suggestions of the Comptt; thro the Elec. Secy.

Submitted for order.

W
15/3

Secl
7/9/2
22/2

Secy 13/

WD 0417—GPB—30,000—8-9-36

Serial No.

14 The Comptroller's letter deals with the suggestion of the Government of India Accountant with regard to (1) the frauds noticed in the carting bills of the Electrical department and (2) the changes in the organisation of the Financial Branch of the Electrical Department. No. (1) will be dealt with separately after getting the final report of the Chief Electrical Engineer and the second suggestion is dealt with in this file.

15 The Financial Branch of the Electrical Department was organised in the year 1925. The organisation of this branch is, no doubt, very necessary to secure more efficient audit of expenditure and also of the Revenue and Stores transactions of the Electrical Department. The experience of the working ~~of the working~~ of this branch since the last ~~15~~ 13 years has shown that it has not worked well. The Government of India Accountant, who examined the accounts of this office, has observed as follows:-

16 The peculiar position of the Financial Branch ~~of~~ as a subordinate section of the department has impaired the efficiency of its audit. Independence of audit is based on the proposition that the conditions of an auditor's office should enable him to discharge without fear or favour his duty of

NOTE—Contn. Sheet.

WD 0544—GPB—30,000—2-9-38

scrutinizing the financial actions of the various authorities, and he is not free to do so if he is under the administrative control of one of those authorities whose orders he may have to challenge. The orders of Government issued in 1925 defining the position of the Financial Branch contained a formal provision that the ~~Financial Branch contained a formal provision that the~~ Financial Assistant should be guided in audit matters by the instructions of the Comptroller, but this arrangement was obviously unsatisfactory in that it did not make the auditor independent in regard to his audit functions. The true value of audit is not to be guaged by the irregularities which it actually discovers but by the certain effects of the knowledge that the auditor can and will, without fear or favour, report them if they come to notice. That knowledge constitutes in itself the most effective security against irregularity. It would have undoubtedly strengthened the hands of the department to have been in a position to point to an audit authority over which they had no executive influence or administrative control.

17 A somewhat parallel arrangement obtains in regard to the Education Department and my inspection of the Financial Branch has shown that its present level of efficiency is due to the very good co-operation it has received from the departmental officers, and a conventional arrangement under which the head of the department is always

Serial No.

ready to act promptly on the advice of his Financial Assistant leaving him free to challenge every financial irregularity. This should be regarded as an exceptional case and should not be taken as an argument against the separation of audit from the control of the Department. As the present system which was introduced in 1925 has not worked well, I would strongly recommend for the consideration of Government that the Financial Branch of the Electrical Department be at once transferred to the administrative control of the Comptroller, the Financial Assistant being required to act as a financial adviser of the department if necessary. Should Government decide to retain the control of the accounts under the department, the Financial Branch may continue to function purely as an Accounting office, the Comptroller being required to undertake the statutory audit in the form of a concurrent monthly test-audit as is done in State-worked railways in British India.

16. As observed by the Government of India Accountant audit has to some extent lost its efficiency and independence. Although the Government Order sanctioning the organisation of this branch lays down that the Comptroller's instructions have to be given effect to in all matters relating to Accounts and Audit, this is

NOTE—Contn. Sheet.

WD 0544—GPB—30,000—2-9-83

not invariably followed. Several cases in which circulars have been issued by the C.E.E. without the concurrence of the Comptroller have come to notice. The position of the Financial Assistant is at present very awkward since he is required to submit all papers through the C.E.E. and is not permitted to correspond directly with the Comptroller. With a view to ensure independence of Audit, it is necessary that the staff engaged on Audit and Accounts work should not be under the Administrative control of the Chief Electrical Engineer, and that the ~~subordinate~~ ~~xxxxxx~~ Audit Officer should have have freedom to approach the Comptroller directly for instructions, and also to raise objections without fear or favour. The records of the Audit Branch should also be maintained separately and not mixed up with the records of the Administrative Branch. I understand that Mr. Forbes is agreeable to the inclusion of the entire Accounts staff of the Electrical Department in the Comptroller's cadre under ~~such~~ some conditions. ~~(Vide his letter No. 1440 dated 4-3-40 to the Comptroller, flag X).~~

19 I reproduce below an extract from IVOR JENNINGS' most recent book about financial arrangements in Great Britain under which Financial branches operate ~~there~~ subject to Treasury control under the scheme of Parliamentary Cabinet responsibility and finance. It is stated therein that "the collaboration is the more effective because each of the large departments has its own financial staff. It

Electrical Deptt—Procedure in the H. Br.

FINANCIAL BRANCH
7 DEC. 1938
1931
GEN. & REV. SECTT.

Serial No.

4560

is the business of that staff to perform within the department the function which the Treasury performs throughout the administrative system. Though the dog inside the house has to protect the people inside against the dog outside, it has also to see that the people inside do not provoke the dog outside. For that dog is rather a big one; and the dog inside knows which dog will bite if a fight ensues."

10 If approved, the Comptroller will be asked to work out details of the scheme in consultation with the C.E.E. and submit definite proposals to Government early. The present arrangements under which audit is functioning are not effective and require to be overhauled as early as possible, in the financial interests of Government.

AS 7.12.38

(Sir Mr) Dewan) 21 I agree. After all the Fl Asst is a small officer compared with the great volume of expenditure & the high authority of the Head of the Dept it is better to leave the final criticism with the Compt himself.

5398 7/12

Mr 22-12-38

21/12

NOTE—Contn. Sheet.

H. Secy has not seen this

MR 22/12

WD 0544—GPB—30,000—2-9-38

Prompt draft 23

AS 29.12.38

9 Financial Branch of the C.E.E's Office

G.S. File No. 7 of 1936. | General and Revenue Secretariat

re Draft put up with Secret

3/1/39.

(re Fin Secy)

AS 5.1.39

re Fin Secy

No. Fl 4306 dy 9.1.39 to the Comptr. 3
states that the present arrangement is not suitable & calls for proper proposals in consultation with C.E.E.
Copies to C.E.E & Elec. Secy.

23/1

No. 1552/Es dy 22.1.39 from the Comptroller 4
forwards with his remarks copy of Chief Electrical Engineer's letter on the matter of the reorganisation of the Financial Branch of the latter's office.

The C.E.E. is in effect opposed to the proposal of making audit independent. He is prepared, he says, to agree to the change suggested, with some modifications. These modifications relate to the control of staff & such other minor matters. Agreement in these respects only would mean ignoring the major issue viz. the independence of Audit and would result in maintaining the status-quo ante. The existing procedure

Some of the papers put up with Courtesy Bill & default cash bills file.

Reorganisation of the Financial Branch of the C. & E.'s office 10

General and Revenue Secretariat | File No. 7 of 1936. | [App. F. III–2

Serial No.	
	has been pronounced as defective at various authoritative quarters. Besides the views of Govt expressed in their orders at paras 14 to 22 supra, the Govt of India Accountant who visited the office has commented against the scheme in no uncertain terms
A.	In page 21 of his printed Review, he says – "I am of definite opinion that the present position of the Dr. Asst has not secured the advantages of an independent audit and requires urgent reform."
	The recent transactions connected with the Jog Falls scheme have disclosed serious irregularities, and seem to have confirmed Govt in their opinion against the existing scheme.
	29 The position taken up by the C.E.E may now be examined :–
	30 The Comptr has hurriedly met the C.E.E's objections in the first two paragraphs of his letter. The objections may be further analysed.
	The first objection is that the new scheme would 'take away one salient' 'important feature of the existing system i.e. pre-audit of all expenditures before

NOTE—Contn. Sheet.

Reorganisation of the Financial Branch of the C.E.E's office II

File No. 7 of 193 G. - | General and Revenue Secretariat.

Serial No.

liabilities are created. It has nowhere been suggested that pre-audit would cease. On the other hand, the pre-audit would continue with accrued efficiency as it does in the Ry Audit office. As the Pre-audit would continue under the separated audit proposed, the C.E.E's statement is but an assumption not based on data.

2nd Objn.

(1) By the Audit agency not being a part of the Head office, it will lose the scope for insight into the internal working of the Dept & frauds & defalcations would be detected only at a later stage.

(2) This objection again is in its turn founded on the assumption that there will be no pre-audit. In view of the explanation to 1 above, this objection also falls.

33 3rd Objn. If audit is not "guided under C.E.E's Charge", he "cannot be reasonably held responsible for financial irregularities." "I am therefore not in favour of Complete separation of audit from administration."

(1) As observed by the Committee in the

Reorganisation of the Financial Branch of the C.E.E.'s office — 12

General and Revenue Secretariat | G.F. File No. 7 of 1936.. | [App. F. III–2

Serial No.

opening paragraph of his letter, it is difficult to follow the C.E.E.'s statement.

35 The first and fundamental rule in the Accts Code Vol I. reads :-

Article 1. — Every Officer should realise that the Correct maintenance of his accounts is as important a part of his duties as his executive work. A knowledge of the Accounts and financial rules relevant to his duties is a necessary part of the equipment of every Officer through whose hands Govt money passes, and Officers are expected to be sufficiently familiar with financial & account rules to keep an adequate Check over the Clerks or accountants in their Offices. No Officer should be allowed to plead as an excuse for a financial or accounts irregularity that he has been deceived by his Clerk or Accountant, as it is for the officer to see that the Clerk or Accountant is doing his work properly."

36 Thus the Code lays down & definitely vests the responsibility in the Head of the Department. Audit or

NOTE—Contn. Sheet.

Reorganisation of the Financial Branch of the C.E.E's Office — 13

File No. 7 of 193 6. | General and Revenue Secretariat.

Serial No.

to which the responsibility of the Head of the Department is always defined.

37] It is relevant at this point to note that the existing dispensation itself sought to provide alike for the independence of audit and the continuance of Departmental responsibility. This scheme of devolution of audit had for its basis the pronouncement of Stilton Young in his book "The System of National Finance". He has said with also "that the second essential to the efficiency of their work is that they (the financial officers within the Dept) should be responsible to their financial chief ((e) Comptroller) and to their own." E in C.F 3·24-2

The author is surprised that the "organisation and conditions of labour (of the Financial Branches) are left to the uncontrolled discretion of the Ministers & the Executive"! This is the basis to which the financial Branch of the C.E.E's office is reduced. The C.E.E now offers full scope to the Dr. Asst to differ from him if the audit is continued under his Charge! But the fact is that it is just at this point that the failure came in. It is because

Reorganisation of the Financial Branch of the C.P.E.'s office 14

General and Revenue Secretariat | G.S. File No. 7 of 1936. | [App. F. III–2

Serial No.	
	The provision in the scheme was relegated to the background that all the later trouble arose, as stated by the Comptroller as remarked by the Fd. Secy in Para 17.
	3. Regarding the Departmental responsibility reference is requested to Tn. M.N (later Sir)
D.	Krishna Rao's note on Fd Secy. in G.S. F. 2-24-2
	39 It is thus now clear that the 3rd objection is by no means tenable.
	(2) The modifications that the C.S.E would suggest are none such at all. They are but an extension of the existing scheme which is admitted on all hands to be not sound.
	(4) The Govt of India Accountants are definitely opposed to the present system. Recent events in the Deptt have been a severe trial to the scheme, which from all accounts has not stood it well. The Dewan has also ordered elsewhere (in Jog Patto file) that the audit should be placed on an independent basis.
	(4) For these reasons, may the Comptroller's proposals in Paras 3 & 4 of P.N.D be accepted & suggestions

NOTE—Contn. Sheet.

Reorganisation of the Financial Branch of the C.E.E.'s office. 15

G.S. File No. 7 4340/36 of 1936. | General and Revenue Secretariat.

Serial No.

proposals promised in the Concluding Para.. called for?

14) It is perhaps at the same time necessary to see that the Change entails no undue extra Cost to Govt. If the main issue is decided upon, this point may perhaps be examined later.

14) The Electrical Engg Dept may be consulted. Also a Council matter.

SK 24/6/36

15 The Chief Electrical Engineer is quite naturally averse to bring into existence a system of an independant and separated audit. The main defect of the present system would appear to be that though theoretically in all matters relating to audit & accounts, the Fin'l Asst. is to be guided by the instructions of the Comptroller, ~~this the value of~~ this safeguard has been in actual practice not very effective, as the Fin. Asst. ~~could~~ has to approach the Comptr. ~~Genl~~ through the C.E.E. and further the C.E.E. is in a position to have his orders carried out even ~~where~~ in cases where the Fin. Asst. differs from the C.E.E.

Serial No.

The Fin. Asst: is practically as much a subordinate of the C.E.E, as any other departmental Assistant and his position cannot but have its own effect on the independance of Audit.

The Chief Electrical Engineer's argument that if audit is not guided under his charge, he cannot be reasonably held responsible for financial irregularities, is obviously unsound. The Executive has its own responsibilities to understand and follow rules of Account and administrative procedure, and has its own subordinate staff to help in his work. It is the function of audit to check how far the Executive ~~Offr~~ officers have adhered to the prescribed rules & ~~procedu~~ procedure. All opinions appear to point to the fact that the time has now come to ensure that ~~there~~ an absolutely independent audit is provided in respect of the Electrical Dept. - which stands in the same footing as the P.W.D & Ry. Depts.

NOTE—Contn. Sheet.

17

Reorganisation of the Financial Branch of the C E E's office

File No. 4340/17 of 1936.

General and Revenue Secretariat.

Serial No.

47 The suggestions made by the Comptroller in paragraphs 3 & 4 of his letter may be generally approved and detailed proposals called for. Even if some additional cost be found inevitable ~~etc~~ it seems to be well worth incurring the same, having in view the large financial interests involved. The views of the ~~the~~ Secretary, Electrical Dept., may also be obtained in the matter.

Fr Ser 4/7

46 The present reference from the Comptroller is the result of a discussion which he had with me as regards the arrangements to be initiated on receipt of a reply from the Chief Electrical Engineer. The suggestions in paras 3 and 4 of the Comptroller's letter are the least that would secure the essence of an independent audit agency functioning within the Electrical Department, not completely divorced from the check of the initial accounts but effectively forming a corps of audit representatives carrying out independently their functions in the department.

Subject Re-organisation of the Fin. Branch of the C. E. E's office

4340/37

D. 15.

General and Revenue Secretariat

File No., of 193 . [App. F. III—2

ELECTRICAL SECRETARIAT
BANGALORE
Reg. No. 87
Date 12.7.39

Serial No.

DEWAN'S OFFICE
14 JULY 1939
No. 433

They are not intended to upset the present accounting and paying arrangements inside the department and even without upsetting such arrangements, it would be possible and desirable to achieve the objective aimed at in the first stage. If simultaneously the whole structure of accounts inside the department is also changed, there may be considerable audit and administrative confusion especially in the present stage of the functioning of the department when large Capital Works are undertaken and the Revenue Accounts of various extensions are already opened. The revision of accounting and paying organisations may therefore be taken up a year later.

6 The Dewan has minuted in several files that Audit should be independent and this objective will be secured if the above suggestion is accepted.

5 If approved, the Comptroller will be asked to submit separate detailed proposals regarding the personnel, pay and prospects of the staff and officers to be taken over to the Audit cadre.

DEWAN thro' Elec. Secretary

AS 12.7.39

5 Submitted to Dewan. I entirely agree: and the sooner the change is made, the better.

Dewan 5 Request to- Sd C 13/7

NOTE—Contn. Sheet.

WD 0544—GPB—30,000—2-9-83

MS 14-7-39

53 For favour of further action

5 Immediate AS 17.7 (Financial Secretary) Sd 17-7

W.S.K.

Reorganisation of the Statl. Branch of the C.E.E.S.
April 1931 19

G.A. File No. 7 43[40]-7 of 193[6]. General and Revenue Secretariat

55 Orders now passed involve a degree of reversal of the old arrangement, which was treated as a Council Matter. Also, the Matter would be a Material Change in the Organisation.

56 For orders whether this is not to be treated as a Council Matter

Sd 18/7

57 This case may be circulated to Council.

58 In the meantime, the Comptroller may be asked ~~out~~ to work out detailed proposals and submit them for the consideration of Govt. Draft to Comptroller also put up

Fin Sec) 18/7

59 Issue draft & resubmit

19.7.39

Re 431 & 20.7.39 to the Comptl. provisionally approves of his suggestions and calls for detailed proposals regarding staff &c. 5-

Draft Letter issued & file routed as at para 59.

60 20/7

5/7/39

Fin. Sec

Chief Secy. wc. 61 This is a Council case in favour generally

21.7.39

63 Sd Civ. Secy. is out

WS 24/7

Signed 24/7

20

4340/7

For Disposal by Circulation. **No. C. 43**

of 1939-40.

GENERAL AND REVENUE SECRETARIAT

Council Matter.

Subject

Proposals for improving the system of audit relating to the Electrical Department.

Circulated to the Members of Council.

By Order,

24th July 1939. *Chief Secretary to Government.*

2.88 24.7.39 **First Member of Council.** nil 25/7/39

Second Member of Council. (concurred in)

1/8 Financial Secretary with Compliments.

20 Mr) 2/8.39

68 25.7.39

25.7.39

670 1.8.39

Subs. a Finance letter No 200 from D.S.E. is also placed with files at P. 2-D 55

28/7

D.S.N. Subs.

26/7

70 27/7

71 Please put my fair copy as corrected.

28/7/39

Serial No.

72 D.S.N. is submitted as per orders.

73 Mr. Forbes has since written a letter reiterating that he is not in favour of changing the present system, and that if Government decide that audit should be separated and made independent, he should have a separate Accounts Assistant, and he would like to have Mr. B. Ramajuja Iyengar for this post. I had a talk with Mr. Forbes in the matter subsequently and he said that he had no objection to the proposed change in the audit organisation if Mr. Ramanuja Iyengar could be made available to him as an Accounts Assistant and if this could not be done the next best selection of a competent officer would do. This question may be considered when working out details of the staff required for giving effect to the proposed changes.

74 Even if Government decide that Mr. Forbes should have a separate Accounts Assistant, I feel that Mr. Ramanuja Iyengar who has been in the Electrical Department during the last 18 years, should not be retained in that department any longer in the larger interests of Government. He will shortly go on deputation to Madras for training in the Accountant General's Office, etc., and advantage has to be taken to post another competent officer (a good civilian officer with Accounts training - if possible) as Accounts Assistant to the C.E.E. - This might be considered separately later

Dewan (Hon'ble Member) 1.8.39

1st Member 3/8/39

75 This is very desirable

76 Too long in the present place

OFFICE OF THE SECOND MEMBER OF COUNCIL
AUG 2 1939
No. 6097.

OFFICE OF THE SECOND MEMBER OF COUNCIL
1939
716.

File No. of 19 .

General and Revenue Secretariat.

Serial No.

These questions will however be considered separately after the details of the scheme are worked out and examined.

D E W A N
thro'
First and
Second Members.

Submitted to His Highness.

78 In recent years with the development of operations and the growth in size of the revenues and the expenditure on account of maintenance - capital and depreciation, the Electrical Department has raised itself on the financial side to the status of a very big commercial department worked by Government, and the imperative necessity of securing an efficient system of accounting and independent audit of the departmental transactions has of late made itself felt very much.

A 79 In 1924 the object was secured by the formation, with the gracious
B sanction of His Highness, of a Financial Branch as a part of the internal organisation of the Chief Electrical Engineer's Office, and the Branch was placed in charge of a senior officer of the Accounts Department with the designation of Financial Assistant to the Chief Electrical Engineer.

A 80 The Government Order sanctioning these arrangements laid down, among other things, that the Financial Assistant to the Chief Electrical Engineer should be entrusted with the following duties:-

1) To be the Financial Adviser to the Chief Electrical Engineer;

2) To be the Accounting Officer of the Electrical Department;

3) To be the Officer in charge of internal Audit of the financial transactions of the Electrical Department.

81 It was also specifically laid down that in all matters relating to audit and accounts, this officer should be guided by the instructions issued by the Comptroller - the chief audit authority in the State - and provision was also made for referring to the Comptroller for decision cases in which the Financial Assistant did not accept the views of the Chief Electrical Engineer.

82 This arrangement has, however, in actual working during the past several years, disclosed certain defects which have to be set right at once so as to secure a thoroughly efficient and independent audit on behalf of Government. The Government of India Accountant, who inspected the Chief
C Electrical Engineer's Office, has also expressed the view that the organization should be modified so as to ensure that audit is not placed in a position of subordination to the Chief Electrical Engineer, the administrative head of the Department.

Under

83 Under the existing system, the Financial Assistant could approach the Comptroller and other higher authorities only through the Chief Electrical Engineer, and though the Financial Assistant and some senior Superintendents belong to the cadre of the Audit Department, the other staff both in the Central Office and the divisions remains an integral part of the departmental cadre subject only to the disciplinary control of the Chief Electrical Engineer, without reference to any outside authority, so that the Comptroller is expected to get his work on the audit side done through the Chief Electrical Engineer's direct subordinates. The Audit agency has thus been relegated to the position, in actual practice, of subordination to the chief administrative head of the Department whose activities it was expected to control.

84 After a careful examination of all aspects of the case, in consultation with the Chief Electrical Engineer, the Comptroller and the Financial Secretary, certain proposals for improving the system have been formulated which are indicated in paras 3 and 4 of letter No.1552/E.S. dated 17th May 1939 from the Comptroller extracted below:-

85 "The only way therefore in which an independent and efficient audit can be secured on behalf of Government is by transferring the administrative control of the entire accounts and audit staff to me (the Comptroller) and not to place them under the administrative control of the Chief Electrical Engineer as at present. If this arrangement commends itself to Government, the Financial Assistant will be directly subordinate to the Comptroller and will work under his instructions and general control and all the staff working under him will be subject to the disciplinary and supervisory guidance of the Head of the Accounts and Audit Department of the State. All objections taken by him in the course of his audit functions wherever he differs from the Chief Electrical Engineer, will be final, subject, of course, to the approval of or alteration by, the Comptroller, who has to be regarded as the administrative and audit head, in all accounts and audit matters. The Financial Assistant will as heretofore work in close collaboration with the Chief Electrical Engineer and bring all account and audit irregularities to the notice of that officer

with as little delay as possible and generally he will also be his Financial Adviser in respect of proposals for expenditure before they are finally committed to by the Head of the Department and his advice may be freely availed of by the Chief Electrical Engineer on all matters relating to proposals for expenditure and accounts and Establishment.

86 "For the rest, all details of procedure in respect of pre-audit of expenditure, compilation and consolidation of accounts, store accounts, local inspections, financial scrutiny of estimates, local orders and foreign orders may continue as at present till some time elapses and it is found possible by me after an examination that the entire Railway method of accounts and compilation may also be adopted to be followed by this Commercial Department."

87 Under the above proposals, the Audit Officer will have freedom to approach the Comptroller direct for instructions and to raise objections without reference to, or in consultation with, the administrative authority. The Chief Electrical Engineer, however, thinks that it would be a great help to him, in avoiding irregularities, etc., if the audit is not entirely separated from him, and he would prefer the continuance with slight modifications of the existing system of pre-audit of expenditure before liabilities are created. This merely means that he wants to shove purely departmental responsibilities in respect of which he has to take his own decision on audit.

G

88 The Financial Secretary and the Members of Council and I however consider that the interests of safeguarding the revenue and securing a proper control of expenditure of this department could best be served by making the Audit independent of the Executive, and the proposals outlined by the Comptroller above referred to are calculated to achieve this end.

Pages 17 & 18 of minutes

89 Gracious sanction of His Highness is solicited to the proposal to adopt the above arrangements and to work out the further details to give effect to them.

Mirza M. Ismail

DEWAN.

Bangalore,
3rd August 1939.

25

Record of Cases submitted for the Orders of

His Highness the Maharaja.

Subject.

Proposals for improving the system of audit relating to the Electrical Department.

Ch ... 91
10-8-39

No. 91

To *Order.*
~~KRW~~
7/8/39

92
10.8.39

General and Revenue
Secretariat.

320/37

C43
26

SUBJECT:—

Proposals for improving the system of audit relating to the Electrical Department

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(*)

31. All urgent or confidential files returned with His Highness' orders may in the absence of instructions or indications to the contrary, be ordinarily circulated to the Members of Council for perusal after the issue of orders.

33. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned immediately after to the Chief Secretary for circulation to the Members.

34. In all other cases, the files will first be circulated to the Members of Council at Headquarters and then sent to the Secretariat concerned for the issue of orders.

93 Circulated to Members of Council for perusal of His Highness' orders before/~~after~~ issue of orders. (*Vide* Rules 31, 33 and 34 of the Subsidiary Rules for the conduct of business of Council in the Manual of Council Rules and Procedure.)

Chief Secretary to Government.

94 Through the Secretary to Government,

~~Financial~~ Department.

95 10.8.39

414
11.8.39

FIRST MEMBER OF COUNCIL.

96 11/8/39

1041
11.8.39

SECOND MEMBER OF COUNCIL.

97 12.8

98 Asst. Secy. - With Compliments

12.8.39

99 Draft 12.8.39

NOTE.—Contn. sheet

WD 0579—GPB—375—20-12-38

Electrical Dept. Procedure of the Financial Branch.

General and Revenue Secretariat

G./File No. 7 of 1936. [App. F. III-2

Serial No.

GOVERNMENT SECRETARIAT
BANGALORE.
Reg. No. 925
Date 22.8.39

100. Draft put up. (Chief Electl. Engr.)

15/8/39

15/8

Fin Sec.

Please put up a fair typed draft as revised

16.8.39

Fair draft put up 18/21-8-39.

Fin Sec.) ~~To process suggestions if any~~

21/8/39

Electrical Secy.) Secy.

Does it fall within Laws & Rules? Seems fair draft in placed below for kind perusal

25/8

H Secy.

25/8

Subs 26/8

Fin Secy.)

26/8

I agree

26.8.39

V

Nos. R 1328-78 S 5-9-39 To The Comptroller, The Chief Electrical Engineer, The Other Heads of Departments, The Secretaries to Government, M.G. Directing The reorganisation of the Financial Branches of the C.E.E's office.

EDS 5-23. 26.8.'39

M.S.K

Typing Section

3.9.39

NOTE—Contn. Sheet.

CONFIDENTTAL.

In reply please quote reference to No. 9/Hr.A.

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE,

Bangalore, dated 7th July, 1936.

FROM

A. N. RAGHAVACHAR, ESQ., M.A.,
Comptroller to the Government of His Highness the Maharaja of Mysore,
Bangalore.

TO

S. SHAMANNA, Esq., B.A.,
Financial Secretary to the Government
of H.H. the Maharaja of Mysore,
Bangalore.

SIR,

In continuation of this office letter No. 200/Spl. dated 17th June 1936, I have the honour to enclose herein a copy of the Inspection Memo No. 102 dated 17th June 1936 of the Government of India Accountant regarding the frauds in the carting bills of the Electrical Department.

2. In para 4 of the Memo, the inspecting officer has raised a very important question of principle relating to the existing organisation for audit work in the Financial Branch of the Electrical Department which was approved by Government in G.O. No. Fl.3779-838/S.F.3-24-2 dated 5th January 1925. As pointed out by him experience has shown several serious defects in the actual working and audit has to some extent lost its efficiency and independance. Although the Government Order of 5-1-1925 states that in all matters relating to Accounts and Audit my instructions should be given effect to, they are very often ignore by the Department or protested against or not given effect to immediately. The Accounts of the Electrical Department are complicated and the transactions are heavy and points on which there is a difference of opinion between the Financial Assistant to the Chief Electrical Engineer and the Chief Electrical Engineer are naturally large. The position of the Financial Assistant who is required to submit all papers through the Chief Electrical

Engineer

engineer and who is not permitted to correspond with me directly when necessary, is very delicate and audit naturally fails to function effectively. It is much easier and more effective to pursue an independant correspondence between audit and administration on an objectionable matter, than to submit papers to the administrative head and to arrive at points of difference of opinion and then press them before Government through the same officer. Compromise becomes essential in such a position, whatever may be the status of the Account and Audit Officer. I therefore consider that the existing organisation requires revision as noted below on the analogy of the procedure in force in the Railway Audit Office which is defined in G.O. No. Fl.4951-4/ G.F.57-19-4 dated 16th February 1920.-

(1) The Audit Office of the Electrical Department should be subordinate to the Comptroller and not to the Chief Electrical Engineer.

(2) The designation of the Officer in charge of this Audit Office (i.e. the present Financial Assistant to the Chief Electrical Engineer) may be in future "Accountant and Audit Officer, Electrical Department".

(3) His Accounts Assistant may continue with the existing designation and he and the subordinate staff of this office may continue as a separate establishment under the existing conditions of service and promotions.

(4) The Comptroller as the head of the Audit and Accounts Department of the State will exercise general supervision over this Audit Office also.

(5) All appointments and promotions whether permanent, temporary or acting and all punishments of officers will be sanctioned by the Comptroller according to the powers vested in him, in respect of the staff of the Comptroller's Office.

(6) The "Account and Audit Officer, Electrical Department" may grant all kinds of leave to his subordinate officers, except

except the Accounts Assistant whose leave will be sanctioned by Comptroller.

(7) The Chief Electrical Engineer may also consult the Account and Audit Officer unofficially on all account and audit matters whenever necessary. To facilitate this arrangement the Audit Office may be located in the same place as at present.

(8) All periodical and other returns due to or called for by Government, the Chief Electrical Engineer or heads of Departments, and all information required by them may be furnished to them direct by the "Account and Audit Officer" All questions arising in the course of audit which strictly come under the rules, including the expression of opinion based on them may be disposed of by the Account and Audit Officer and all correspondence incidental thereto either with Government or Heads of Departments conducted by him.

(9) All correspondence on questions relating to - addition to or revision of the scale of pay of his establishment and on points which are of a doubtful nature or are difficult or delicate and all audit questions in which there is a difference of opinion between the "Account and Audit Officer" and the Chief Electrical Engineer should be referred by the Audit Officer to Comptroller.

If the Chief Electrical Engineer is unable to accept the Comptroller's decision, the Chief Electrical Engineer should address Government in the Electrical Department and all Government orders over-ruling audit views should issue from the Financial Department.

(10) Important questions will be settled by personal discussion between the Comptroller and the "Account and Audit Officer", whenever necessary.

(11) The accounts and returns to be rendered by the Account and Audit Officer to Comptroller will be separately settled

settled by the latter.

(12) The Audit Office of the Electrical Department should be inspected by the Comptroller personally or through one of his Assistants' once a year (Government have already been addressed in letter No. 335 dated 12-6-36 regarding the staff necessary for this purpose).

3. In paras 5,7 and 8 of the Inspection Memo of the Government of India Accountant, certain defects in the detailed working of the Financial Branch are pointed out and suggestions are made for effecting improvements. I shall furnish my remarks thereon separately after consulting the Chief Electrical Engineer and his Financial Assistant.

I have the honour to be,
Sir,
Your most obedient servant,

COMPTROLLER.

MCB.

Appendix F G—1]

SUBJECT.....

.....

.....

Section G.F.

File No. 7.36.

Serial No. 2—3

Diary No. of letter replied to .....

No. F. 4306

To The Comptr.

Sir,

Subject:- Financial Branch of the Chief Electl. Engineer's office.

General and Revenue Secretariat

( )

the 193 .

Date of issue.... 9.1.39

Signed by ..... Mr. C.S.R.

With reference to your letter No. 9. Gen. A. (Confdl.) dt. 7-7-36 on the above subject, I am directed to state that Govt. agree that the present ~~the present~~ arrangements under which Audit is functioning are not effective and require to be overhauled. The present procedure in which portion of the [illegible] Financial Asst. ~~the C.E.E.~~

List of enclosures.....

Copied by.....

Examined by .....

33

~~Under~~ who

~~It~~ now required to submit all papers through the C.E.E. and is not permitted to correspond direct with you, is ~~drawback~~ back with difficulties of a practical nature and will be apparent in convenience

~~The result is, as observed by~~ the arrangement is not conducive to ensure the ~~secure~~ independence ~~of audit~~ of the Govt of India Accountant, who is inspected by the Fl Branch, and ~~has lost its efficiency & independence~~.

secure the effective and efficient

With a view to ~~ensure independence~~ efficient audit, it is necessary that the staff engaged on audit & accounts work should not be under the administrative Control of the Comptroller, while the Fl Branch is to be the Fl Adviser to the Govt in its technical and financial side

Ch. E. Engineer and that the Audit officer should ~~have freedom~~ be at liberty to approach the Comptroller direct for instructions in matters of audit and ~~in cases of objection without fear or favour~~. Further, the records of the Audit Branch should be maintained separately & not mixed up with the records of the Administrative Branch

I am ~~to~~ requested to request you to ~~evolve a scheme on these~~ kindly work out details of a suitable scheme of arrangements, in consultation with the C.E.E, & submit definite proposals for the consideration of Govt, early.

Yours

4306 (a)

"copies to C.E.E & Executive"

D/ 1/39

AM 3.1.39

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

General and Revenue Secretariat

No. 71. 4306 / 9.7-36-3

Dated, Bangalore, 6th January 1939

From

The *Financial Secretary to the Government of His Highness the Maharaja of Mysore.*

To

The Comptroller to Government,
Bangalore.

SUBJECT:- Financial Branch of the Chief Electrical Engineer's Office.

Sir,

With reference to your letter No.9.Hr.A.(Confidential) dated 7/10th July 1936 on the above subject, I am directed to state that Government agree ~~w~~ that the present arrangements under which Audit is functioning are not effective and require to be overhauled. The present procedure, under which ~~the position of~~ the Financial Assistant is ~~xxxsubmit~~ now required to submit all papers through the Chief Electrical Engineer and is not permitted to correspond direct with you, is beset with difficulties of a practical nature and involves apparent inconvenience.

With a view to secure the objective of an efficient and independent audit, it is considered necessary that the staff engaged on the audit and accounts work should be taken over to the administrative control of the Comptroller, while the Financial Assistant continues to be the Financial Adviser to the Chief Electrical Engineer, and that the Audit Officer should be at liberty to raise objections and approach the Comptroller direct for instructions in matters of audit and accounts. Further the records of the Audit ~~Office~~ Branch should also be maintained separately and not mixed up with the records of the Administrative Branch.

I am accordingly to request you to kindly work out details of a suitable revised scheme of arrangements in consultation with the Chief Electrical Engineer and submit definite proposals for the consideration of Government early.

I have the honor to be,
Sir,
Your most obedient servant,

Financial Secretary to Government.

35

MR. H. V. SREEKANTIAH. B.A., LL.B., B.COM.
FINL. ASST. TO CH. ELCL. ENGR.

OFFICE OF THE CHIEF ELECTRICAL ENGINEER
TO THE GOVT. OF MYSORE
BANGALORE, 10th May, 1939
(MYSORE, S. INDIA)

D. O. No. 49/73.
5 & d.

FINANCIAL SECRETARY 11 MAY 1939 GOVT. OF MYSORE

Dear Sir,

I herewith unclose for favour of your information a copy of the letter No.25535-36 dated 5th May 39 of Chief Electrical Engineer to the Comptroller regarding the details of the formation of a separate Audit Office for Electrical Department, as proposed by him. A copy of this has also been forwarded to the Secretary, Electrical Department.

Yours sincerely,
H. Srikantiah

To

A. N. Raghavachar, Esq., M.A.,
Financial Secretary to
Government of Mysore,
Bangalore.

TELEPHONE No. 2110

TELEGRAPHIC ADDRESS:
GOMED

CODES USED:
BENTLEY'S, LIEBER'S
A.B.C. 6TH EDITION
BUSINESS TELEGRAPH CODE

IN REPLY REFER TO
No. 2255 35-36
ENCLO:

GOVERNMENT OF MYSORE
ELECTRICAL DEPARTMENT

OFFICE OF THE CHIEF ELECTRICAL ENGINEER
Bangalore, 5th MAY *193* 9
(MYSORE, S. INDIA)

From

S. G. FORBES, ESQ., E.E., B.Sc., E. & M.E., MEM.A.I.E.E.,
CHIEF ELECTRICAL ENGINEER
TO THE GOVERNMENT OF MYSORE.
BANGALORE.

To

The Comptroller to the
Government of Mysore,
Bangalore.

S i r,

With reference to our discussion on 17th March 1939 in the matter of Re-Organisation of the Financial Branch, as required under G.O.No.Fl.No.4306, dated 17th January 1939, I have to state that as opined by me in person, the complete separation of audit from me in the Electrical Department would take away one salient and what I consider very important feature of the existing system, i.e., of pre-audit of all expenditures before Liabilities are created. The Financial Assistant at present examines all transactions by examining the necessity or the provision in the Detailed Estimates and with his objections, all the papers and bills are placed before me for taking such action as rests within my authority. I examine the whole transaction from both administrative and audit aspects and then Pass or Agree with the Financial Assistant. If I differ from the Financial Asst., he is obliged to take the matter to Government or the Comptroller with my views. This system has worked well for the last 15 years and is certainly superior to that existing in the Public Works Dept., where audit comes in to criticise after the

expenditure is actually incurred or Liability created.

Similarly complete separation of audit from me, though on the lines of the Railway Auditor, in the Electrical Department itself, will not bring about that clear insight into the internal working of the Department by being a part of the Head Office, as would be required under a real pre-audit to prevent as far as practicable, instead of to detect at a later stage, frauds and defalcations. Therefore, if audit is guided under my charge, though with full scope to differ from me, I will be completely and personally responsible; otherwise I cannot be reasonably held responsible for financial irregularities. I am ,therefore, not in favour of complete separation of audit from administration.

I have never questioned the final decision of the Comptroller on any audit matter in the State and I quite agree that audit in the Financial Branch also should be solely guided by instructions issued by the Comptroller from time to time, though any audit done in the Electrical Department should be after taking the views of the Head of the Department. Therefore, with a view to see that Comptroller's instructions are being followed and also to examine in detail the cases of differences of opinions and also of the nature of objections taken, etc., provision was made for Comptroller's inspection of Financial Branch once a year.

However, I have no objection to modifying the existing procedure of the Financial Assistant by allowing him to correspond with or write freely to the Comptroller on any doubtful point;but it would be better that he does so after taking my views in the matter. I have also no objection to his designation being changed to that of Auditor, Electrical Department; All that I want is that he should be a real Financial

Adviser for assisting me in the heavy capital and normal workings of the Department. I therefore prefer that he continues to be part of my Head Office, though not as an assistant and that all the papers should be continued to be passed between us and dealt with as before. Subject to the above relationship being continued, I agree to the following points of Re-Organisation of the Financial Branch:-

1) The designation of the Financial Assistant to be changed to Auditor, Electrical Department. He can correspond directly with the Comptroller or other Officers, but he should invariably consult the Chief Electrical Engineer before he refers a question to the Comptroller and to Government through him. My reason for this is, cases of irregularities of procedure, transactions not clearly admissible in audit, expenditures without Budget provisions and/or competent sanctions etc. etc., will be brought to my attention very much earlier and further I can put a stop to or take steps to regularise the objectionable procedures or transactions.

2) He is the Financial Adviser to Chief Electrical Engineer and as such, all the papers of the Chief Electrical Engineer's office relating to Audit, Accounts and Finance will pass through the Auditor as is done now, before Chief Electrical Engineer's final orders are passed and in turn disallowances made by the Auditor will be brought to the notice of Chief Electrical Engineer at the time they are made.

3) As a Senior Officer of the Comptroller's Department will be posted as Auditor, Electrical Department, and as he is practically the internal Head of audit and accounts in the Department, he will dispose off all questions arising in audit according to rules, cases of doubtful points and difference of opinion between the Auditor and the Chief Electrical Engineer being referred to the Comptroller.

4) The Powers of the Auditor and pay of the Officers in the Audit Office.

The Auditor will exercise powers delegated to the Railway Auditor in matters relating to appointments, transfers, postings etc., as sanctioned in Govt. Order No.RS.304-8, dated 31st July 1922 and as in force from time to time.

As the status of the Auditor is proposed to be raised to that of an internal head, and as it should be at least on a par with that of the General Superintendent of the Electrical Department or a Superintending Engineer, the pay and status require to be enhanced thus:-

(Continued)

Gazetted Officers.	Pay & Allowance.
Auditor.	800-50-1000
Sr. Asst. Auditor.	250-40/2-450 with a D.A. of Rs50.
Audit Assistant (Construction)	250-20-350

5) Accounts Assistant to the Chief Electrical Engineer.

The compilation of Accounts in the Sections will be as hithertofore within the Department under the responsibility of the Sectional Officers. Thus the initial accounts will be separated from audit and will continue to be under the entire control and responsibility of the Chief Electrical Engineer. To assist the Chief Electrical Engineer in all matters relating to accounts the Accounts Assistant will be retained and on account of the increased activities of the Department and the responsibility involved he will be given the grade of 500-50/2-600. This grade is proposed on the analogy of the one given to the Personal Assistant to the General Manager, Mysore Railways, who was an Accounts Officer. The appointment will be held by an Accounts Officer selected by the Chief Electrical Engineer in consultation with the Comptroller and will be an Officer of the Comptroller's Department. He will be the highest Accounts Officer in the Electrical Department next in rank to the Auditor.

6) Non-Gazetted Staff.

i) The entire accounting and audit staff of the present Financial Assistant's office together with the staff in the various sections and sub-sections will constitute the audit and accounts cadre of the Electrical Department. It is not desirable to include Bill and Ledger Clerks in the cadre of the Audit Office as their work relates to the Administrative Department. But 50% of the vacancies under Accounts Clerks will be reserved to qualified and deserving Bill and Ledger Clerks of the Department who have the qualifications required by the Comptroller. Suitable rules will be framed to govern promotions.

ii) As far as possible, the scales of pay of the Audit Office should be in conformity with those prevailing in the Comptroller's Office, but with a view to create some incentive for Comptroller's Office men to go to the Electrical Department, it is necessary to revise the scale of pay of Superintendents to that of the Railway Audit Office.

iii) Provision for interchange of hands from the Comptroller's office to the Audit Office and vice versa is necessary, one-third of the

appointment in the Superintendent's grade being reserved for men from the Comptroller's Office. As interchange from Comptroller's Office to Electrical Audit Office and vice versa is proposed, service in both the offices will have to be pensionable to avoid complications. Further, when the grades are similar to the grades in the Comptroller's Office, there is no need to have any difference in the privileges and benefits enjoyed by a hand in the Electrical Audit Office and in the Comptroller's Office.

7) EXAMINATIONS.

Confirmation in the several grades and promotions to higher appointments will be after passing the prescribed Departmental Tests ad laid down below:-

a)	For confirmation as Accounts Clerks.	Accounts Higher.
b)	-do- as Accountants.	Electrical Accountant's Examination.
c)	-do- as Superintendents.	Electrical S.A.S. Examination.

The rules for the conduct of these Examinations will be the same as those prescribed for the examinations of the Comptroller's Office.

No exemptions from passing the S.A.S. and Accountant's Examination will be granted.

8) The records of the Audit Branch will be continued separately as before.

G E N E R A L.

9) In respect of pre-audit, compilation and consolidation of Accounts, Store Accounts, Local Inspections, Financial scrutiny of estimates, Local Orders and Foreign Orders etc., the existing procedure will continue.

In regard to the expenditure and the extra cost involved relating to the above proposed Re-Organisation, I will prepare a proposed Establishment as soon as I have a reply from you intimating that you are generally in agreement with my above suggestions.

I have the honor to be,
Sir,
Your most obedient servant,

Chief Electrical Engineer.

SGF-HVS-Alnr.

G.F.7-36-4

41

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT
OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

GEN. & REV. SECRETARIAT
24 MAY 1939
4340
FINANCIAL BRANCH.

No. 1552 ES Bangalore, Dated 17th May 1939.

FINANCIAL SECRETARY
23 MAY 1939
GOVT. OF MYSORE

From

M. VIRARAJA URS, Esqr., B.A., B.L.,
Comptroller to the Government of
His Highness the Maharaja of Mysore,
Bangalore.

To

A. N. Raghavachar Esq., M.A.,
Financial Secretary to the Government of Mysore,
Bangalore

Sir,

In inviting your kind reference to G.O.No.Fl.4306/G.F.7-36-2 dated 7th January 1939 regarding the separation of Audit in re. the Financial Branch of the Chief Electrical Engineer's Office and Mr. Forbes' letter No.25535 dated 5th May 1939 (copy enclosed) addressed to me on the subject, I have the honor to state that the proposals contained in the latter are in effect, but a suggestion to continue the existing arrangements alone, which Government themselves consider as ineffective and unsatisfactory. As seen from paras 2 and 3 of his letter Mr. Forbes is not in favour of the existence of an independent and separated audit that will necessarily review and take independent decision in respect of all payments ordered by him to be made under cover of his authorisation, and wants that audit should take his instructions if he is to be held responsible for financial irregularities of his Department. I am unable to understand what he means by "his responsibilities" and "irregularities". Apart from the audit of expenditure on behalf of Government conducted in the Financial Branch as the result of check and review of bills and vouchers by the Gazetted Officers of the Audit Department which is a matter ancillary to the incurring of liabilities by him even before the formal claim is sent up in a bill to audit, he, as the head of the Electrical Department, cannot free himself absolutely from any responsibility for having committed Government to expenditure and to irregularities arising in his Department by breach of the prescribed procedure, by virtue of the orders and authorisation given

hm

by him. Mr. Forbes has, however, agreed to but very slight modifications of the existing procedure by allowing his Financial Assistant to correspond with the Comptroller freely, subject to the condition that he does so after obtaining his views in the matter. This procedure is theoretically in vogue even now, though in practical working, it has not been found to work effectively.

2. Mr. Forbes considers that the existing system has worked well for the last 15 years and that it is certainly superior to that existing in the Public Works Department. I regret I am unable to share Mr. Forbes' optimism in the matter. Serious defalcations have come to notice within the last few years in respect of operational part of the ~~capital~~ Departmental organisation already in existence as distinguished from construction. Outlay on account of works of replacements of large magnitude has had to be incurred without either proper sanction or detailed estimates to guide audit in its check of expenditure. In the circumstances, the so called safety by which audit can detect irregularities very easily by the check of expenditure in the Department is practically non-existent under the present arrangements by which the Chief Electrical Engineer exercises his powers to authorise payment freely. The audit officers and audit staff some of whom are employees of his own Department are, under the present scheme under his administrative control alone and find themselves placed in an embarassingly difficult and anomalous position and in the result cannot be expected to carry out freely and fully audit checks that will disclose irregular expenditure. The difficulties inherent in a system under which audit is thus rendered innocuous and that too subordinate to the executive will simply lead to the result that the payment will have been made long before discoveries of irregularities force themselves up to notice. I have brought this aspect of the matter already to notice in connection with the large payments authorised by Mr. Forbes in connection with Shimsha and Jog Projects in my letter No. 965 | W A P$_2$ dated 30.3.39

3. The only way therefore in which an independent and efficient audit can be secured on behalf of Government is by

transferring

transferring the administrative control of the entire accounts and audit staff to me and not to place them under the administrative control of the Chief Electrical Engineer as at present. If this arrangement commends itself to Government, the Financial Assistant will be directly subordinate to the Comptroller and will work under his instructions and general control and all the staff working under him will be subject to the disciplinary and supervisory guidance of the Head of the Accounts and Audit Department of the State. All objections taken by him in the course of his audit functions wherever he differs from the Chief Electrical Engineer will be final, subject, of course to the approval or alteration by the Comptroller, who has to be regarded as the administrative and audit head, in all accounts and audit matters. The Financial Assistant will as heretofore work in close collaboration with the Chief Electrical Engineer and bring all account and audit irregularities to the notice of that officer with as little delay as possible and generally he will also be his Financial Adviser in respect of proposals for expenditure before they are finally committed to by the Head of the Department and his advice may be freely availed of by the Chief Electrical Engineer on all matters relating to proposals for expenditure and accounts and Establishment.

4. For the rest, all details of procedure in respect of pre-audit of expenditure, compilation and consolidation of accounts, store accounts, local inspections, financial scrutiny of estimates, local orders and foreign orders may continue as at present till some time elapses and it is found possible by me after an examination that the entire Railway method of accounts and compilation may also be adopted to be followed by this Commercial Department.

5. If these suggestions meet with the approval of Governmen I shall submit separate detailed proposals regarding the personnel, pay and prospects of the staff and officers to be taken

over

over as new additions to the audit cadre after reviewing the position and qualifications and suitability of the men at present employed (other than the Comptroller's Establishment) on audit and accounts work in this Department.

I have the honor to be,
Sir,
Your most obedient servant,

M. Viswanatha Rao
Comptroller

CV

FINANCIAL SECRETARY
23 MAY 1939
GOVT. OF MYSORE

Copy of letter No.2553b dated 5th May 1939 from the Chief Electrical Engineer to the Government of Mysore, Bangalore to the Comptroller to the Government of Mysore, Bangalore.

&&&&&&&&&&&&&&

With reference to our discussions on 17th March 1939 in the matter of Re-organisation of the Financial Branch, as required under G.O. No.Fi.No.4306 dated 17th January 39, I have to state that as opined by me in person, the complete separation of audit from me in the Electrical Department would take away one salient and what I consider very important feature of the existing system i.e., of pre-audit of all expenditures before Liabilities are created. The Financial Asst. at present examines all transactions by examining the necessity or the provision in the Detailed Estimates, and with his objections, all the papers and bills are placed, before me for taking such action as rests within my authority. I examine the whole transaction from both administrative and audit aspects and then Pass or Agree with the Financial Asst. If I differ from the Financial Asst. he is obligated to take the matter to Government or the Comptroller with my views. This system has worked well for the last 15 years and is certainly superior to that existing in the P.W. Department where audit comes in to criticise after the expenditure is actually incurred or Liability created.

Similarly complete separation of audit from me, though on the lines of the Railway Auditor, in the Electrial Department itself, will not bring about that clear insight into the internal working of the Department by being a part of the Head Office, as would be required under a real pre-audit to prevent as far as practicable, instead of to detect at a later stage, frauds and defalcations. Therefore if audit is guided under my charge though with full scope to differ from me I will be completely and personally responsible,

otherwise I cannot be reasonably held responsible for ~~for~~ financial irregularities. I am therefore not in favour of complete separation of audit from administration.

3

I have never questioned the final decision of the Comptroller on any audit matter in the State and I quite agree that audit in the Financial Branch also should be solely guided by instructions issued by the Comptroller from time to time, though any audit done in the Electrical Department should be after taking the views of the Head of the Department. Therefore, with a view to see that Comptroller's instructions are being followed and also to examine in detail the cases of differences of opinions and also of the nature of objections taken etc., provision was made for Comptroller's inspection of Financial Branch once a year.

However, I have no objection to modifying the existing procedure of the Financial Asst. by allowing him to correspond with or write freely to the Comptroller on any doubtful point but it would be better that he does so after taking my views in the matter. I have also no objection to his designation being changed to that of Auditor, Electrical Department, all that I want is that he should be a real Financial Adviser for assisting me in the heavy capital and normal workings of the Department. I therefore prefer that he continues to be part of my Head Office, though not as an assistant and that all the papers should be continued to be passed between us and dealt with as before. Subject to the above relationship being continued I agree to the following points of Re.organisation of the Financial Branch:-

1) The designation of the Financial Asst. to be changed to Auditor, Electrical Department. He can correspond directly with the Comptroller or other Officers, but he should invariably consult the Chief Electrical Engineer before he refers a question to the Comptroller and to Govt. through him. My reason

for this is, cases of irregularities of procedure, transactions not clearly admissible in audit, expenditures without Budget provisions and or competent sanctions etc., etc., will be brought to my attention very much earler and further I can put a stop to or take steps to regularise the objectionable procedures or transactions.

2). He is the Financial Adviser to Chief Electrical Engineer and as such, all the papers of the Chief Electrical Engineer's office relating to Audit, Accounts and Finance will pass through the auditor as is done now, before Chief Electrical Engineer's final orders are passed and in turn disallowances made by the Auditor will be brought to the notice of Chief Electrical Engineer at the time they are made.

3). As a Senior Officer of the Comptroller's Department will be posted as Auditor, Electrical Department, and as he is practically the internal head of audit and accounts in the Department, he will dispose off all questions arising in audit according to rules, cases of doubtful points and difference of opinion between the Auditor and the Chief Electrical Engineer being referred to the Comptroller.

4). <u>The powers of the Auditor and pay of the Officers in the Audit Office</u>.

The Auditor will exercise powers delegated to the Railway Auditor in matters relating to appointments, transfers, postings etc., as sanctioned in Govt. Order No.RS.304-8 dated 31st July 1922 and as is in force from time to time.

As the status of the Auditor is proposed to be raised to that of an internal head, and as it should be at least on a par with that of the General Superintendent of the Electrical Department or a Superintending Engineer, the pay and status require to be enhanced thus:-

(continued)

Gazetted Officers	Pay & Allowance
Auditor	800-50-1000
Sr. Asst. Auditor	250-40/2-450 with a D.A. Rs.50.
Audit Assistant (Construction)	250-20-350

(5) Accounts Assistant to the Chief Electrical Engineer

The compilation of Accounts in the Sections will be as hithertobefore within the Department under the responsibility of the Sectional Officers. Thus the initial accounts will be separated from audit and will continue to be under the entire control and responsibility of the Chief Electrical Engineer. To assist the Chief Electrical Engineer in all matters relating to accounts the Accounts Assistant will be retained and on account of the increased activities of the Department and the responsibility involved he will be given the grade of 500-50/2-600. This grade is proposed on the analogy of the one given to the Personal Assistant to the General Manager, Mysore Railways, who was an Accounts Officer. The appointment will be held by an Accounts Officer selected by the Chief Electrical Engineer in consultation with the Comptroller and will be an Officer of the Comptroller's Department. He will be the highest Accounts Officer in the Electrical Department next in rank to the Auditor.

(6) Non-Gazetted Staff

(i) The entire accounting and audit staff of the present Financial Assistant's Office together with the staff in the various sections and sub Sections will constitute the audit and accounts cadre of the Electrical Department. It is not desirable to include Bill and Ledger Clerks in the cadre of the Audit Office as their work relates to the Administrative Department. But 50% of the vacancies under Accounts Clerks will be reserved to qualified and deserving Bill and Ledger Clerks of the Department who have the qualifications required by the Comptroller. Suitable rules will be framed to govern promotions.

(ii) As far as possible, the scales of pay of the Audit Office should be in conformity with those prevailing in the Comptroller's Office, but with a view to create some incentive for Comptroller's Office men to go to the Electrical Department, it is necessary to revise the scale of pay of Superintendents to that of the Railway Audit Office.

(iii) Provision for interchange of hands from the Comptroller's Office to the Audit Office and Vice versa is necessary, one third of the appointment in the Superintendent's Grade being reserved for men from the Comptroller's Office.

As

As interchange from Comptroller's office to Electrical Audit Office and vice-versa is proposed, service in both the offices will have to be pensionable to avoid complications. Further, when the grades are similar to the grades in the Comptroller's Office, there is no need to have any difference in the privileges and benefits enjoyed by a hand in the Electrical Audit Office and in the Comptroller's Office.

(7) Examinations

Confirmation in the several grades and promotions to higher appointments will be after passing the prescribed Departmental Tests as laid down below

(a) For confirmation as Accounts Clerks	...	Accounts Higher
(b) do Accountants	as	Electrical Accountant's Examination
(c) do Superintendents	as	Electrical S.A.S. Examination

The rules for the conduct of these Examinations will be the same as those prescribed for the examinations of the Comptroller's Office.

No exemptions from passing the S.A.S. and Accountant's Examination will be granted.

(8) The records of the Audit Branch will be continued separately as before.

General

(9) In respect of pre-audit, compilation and consolidation of Accounts, Store Accounts, Local Inspections, Financial scrutiny of estimates, Local Orders and Foreign Orders etc., the existing procedure will continue.

In regard to the expenditure and the extra cost involved relating to the above proposed Re-Organisation, I will prepare a proposed Establishment as soon as I have a reply from you intimating that you are generally in agreement with my above suggestions.

" Copy "

Rajagopalachari 19/5
Superintendent,
E.A.H. Leech
19/5

16/5/35.

Appendix F G—1]

SUBJECT.....

.....

.....

Section G.I.

File No. 7-36

Serial No. 5

Diary No. of letter replied to .....

Confdl.

No. H. 431

To The Comptr.

Sir,

With reference to your letter No. 1552/Es 3 22.8.39 regarding the arrangements for ensuring a more efficient audit of the transactions of the Elec. Dept, I am directed to state that Govt propose to accept the proposals contained in paras 3 & 4 of the said letter, the Treasuries of the accounting & paying organisations may be informed in this regard.

In this connection,

General and Revenue Secretariat

( )

the 193

Date of issue 20.9.39.

Signed by Mr. C.J.

List of enclosures..... under references are provisionally approved by Govt. and to regret.

Copied by.....

Examined by.....

WD 0278—GPB—30,000—4-3-38

51

~~Are to request~~ You should be ~~submit~~ formulate and send up for the Consideration of Govt ~~from~~ detailed proposals regarding the personnel, Navy etc. & prospects of the staff & officers & be taken over to the respective Audit Cadres etc. as proposed in para 5 of your letter Examiners etc.

19.7.57

8/7 Copy to Secy. Expdt Fr. 439/Exp 20.7.57.
For order if a copy hereof should be sent to C.S.E

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

Urgent. General and Revenue Secretariat

Dated, Bangalore, 11th July 1939.

No. F. 431/G.F.F-38-5

From

The *Financial Secretary to the Government of His Highness the Maharaja of Mysore.*

To

The Comptroller to the Government of Mysore, Bangalore.

Sir,

With reference to your letter No. 1552/Es. dated 22nd May 1939 regarding the arrangements for ensuring a more efficient audit of the transactions of the Electrical Department, I am directed to state that the proposals contained in paras 3 and 4 of your letter under reference are provisionally approved by Government and to request you kindly to formulate and send up for the consideration of Government detailed proposals regarding the personnel, pay and prospects of the staff and officers to be taken over to the respective audit cadres etc., as proposed in para 5 of your letter.

I have the honour to be,
Sir,
Your most obedient servant,

Financial Secretary to Government.

TELEPHONE No. 2110.

IN REPLY REFER TO No. 2240 ENCLO.

G.27-36-5(a)

TELEGRAPHIC ADDRESS: "GOMED"

CODES USED
BENTLEY'S LIEBER'S
A. B. C. 6th EDITION
BUSINESS TELEGRAPHIC CODE.

GOVERNMENT OF MYSORE
ELECTRICAL DEPARTMENT

OFFICE OF THE CHIEF ELECTRICAL ENGINEER,

Bangalore, 20th JULY 1939
(~~MYSORE,~~ S. INDIA,)

GEN. & REV. SECRETARIAT 320 25 JULY 1939 FINANCIAL BRANCH

FINANCIAL SECRETARY 240 GOVT

From

S.G.Forbes, Esq., E.E.,B.Sc.,E.& M.E.,Mem.A.I.E.E.,
Chief Electrical Engineer
to the Government of Mysore,
BANGALORE.

To

The Financial Secretary to the
Government of His Highness the
Maharaja of Mysore, Bangalore.

Sir,

FORMATION OF A SEPARATE AUDIT OFFICE
FOR THE ELECTRICAL DEPARTMENT.

With reference to Comptroller's letter No.1552/ES. dated 17-5-1939 to your address in connection with the above, I have the honour to state that the Comptroller does not appear to have grasped fully my view point in the matter and has expressed that I am not in favour of the formation of an independent audit office. Audit, I consider, is already independent being quite at liberty to raise any objection and pursue it with the Comptroller whenever there are any points of difference between my Financial Assistant and myself.

I had no objection to the change in the designation of the Financial Assistant as Auditor and to the transfer of the audit and accounts staff of the Department from my administrative control to that of the Comptroller. What I want in the Department is, an efficient system of internal audit to assist the administration, to prevent irregularities rather than point

them out after they are committed. If the necessity for such an organisation is admitted, it would merely duplicate establishment if there should be a separate independent audit organization in addition to the internal audit organization in charge of responsible officer of the accounts department working under my instructions. It is to avoid this duplicate establishment and the consequent extra cost to Government that the present organization was sanctioned so far back as 1925 which I still think is working well. It satisfies both purposes and audit is even now independent. I cannot agree with the Comptroller when he says that the several frauds that have come to notice are due to the existence of the present audit organisation. On the other hand it is because of the existence of this internal audit system that these defalcations were found out and brought to notice, which would not have been possible otherwise.

Should, however, Government order that audit should be finally separated, I would like to press that I should be given a separate Accounts Assistant to enable me to look into all the accounts work of the Department, as already stated by me in para 4 (5) of my letter No.25535-36 dated 5-5-1939 to the Comptroller.

I have the honour to be,

S i r,

Your most obedient servant,

S.G.F.

Chief Electrical Engineer.

SGF.HVS.BR.MA.

Fair draft — Receipt —

G.7-7-36-6

Proceedings of the Government of His Highness
the Maharajaof Mysore.

R e a d.-

G.O.No.Fl.3779-838/G.F.3-24-2 dated 5th January 1925, sanctioning the formation of a Financial Branch as part of the internal organisation of the Chief Electrical Engineer's Office with a view to ensuring an effective internal audit of the --- transactions of the Electrical Department and defining the duties etc., of the Financial Assistant placed in charge of the said financial Branch.

2. Correspondence ending with letter No.1552/Es. dated 22nd May 1939, from the Comptroller, pointing out certain ---- deficiencies in the existing system under which the Audit Officer is placed practically in a position of subordination to the executive head of the Department and submitting proposals calculated to remedy the defects.

3. Letter No.2240 dated 24th July 1939, from the Chief Electrical Engineer, submitting his observations on the ----- Comptroller's proposals.

Order No. FE 1328-78 Dated Bangalore, 5/9/ ~~August~~ 1939.

The Government Order read above laid down, among other things, that the Financial Assistant to the Chief Electrical Engineer should be entrusted with the following duties:-

1. To be Financial Adviser to the Chief Electrical Engineer
2. To be the Accounting Officer of the Electrical Department
3. To be the Officer in charge of internal Audit of the Financial transactions of the Electrical Department.

6/9/39

It was specifically laid down in that Government Order that in all measures relating to audit and accounts, this officer --- should be guided by the instructions issued by the Comptroller who is the Chief Audit Authority in the State. Definite provision

provision was also made in the procedure prescribed therein for reference being made to the Comptroller for decision, of cases in which the Financial Assistant was unable to accept the views of the Chief Electrical Engineer, after giving effect to the latter.

2. In view of the development in operations and the growth in size of the revenue and expenditure of the department including Capital and Depreciation Fund works, the arrangement designed for the earlier stages is found to require revision with a view to ensure more efficient and independent audit. The present arrangement requiring the Financial Assistant to approach the Comptroller only through the Chief Electrical Engineer, the --- administrative head of the department, is found unsuitable, and it is considered desirable that the Audit Officer should have full freedom in raising objections and in approaching the --- Comptroller, without the intervention of the administrative head of the department. Barring the Gazetted officers and a few --- Senior Superintendents of the Financial Branch, the other --- subordinate staff of the Section are at present an integral part of the departmental cadre subject to the disciplinary control of the Chief Electrical Engineer. The placing of the audit staff under the disciplinary control of the administrative head of the ~~administrative head of the~~ department, whose sanctions are -- expected to be examined by them, is also ~~found to be~~ not a --- satisfactory arrangement.

3. The Government of India Accountant, who was deputed to examine the working of the Financial Branch of the Electrical Department, has also expressed himself in favour of an alteration of the present organisation to ensure that audit is not placed in a position of subordination to the Chief Electrical Engineer.

4. The Comptroller has after an examination of all aspects of the case at the instance of Government submitted the following proposals for the consideration of Government:-

(1) The administrative control of the entire

entire staff of Accounts Clerks, Accountants and Superintendents may be transferred to the Comptroller, the head of the Audit and Accounts Department of the State.

(2) The Financial Assistant should be directly subordinate to the Comptroller and should work under his instructions and general control and guidance.

(3) All objections taken by the Financial Assistant in the discharge of his audit functions will be final. In cases where the Chief Electrical Engineer is not satisfied with the decision of the Financial Assistant, he may make a reference to the Comptroller ~~who has to be accepted~~ as the final authority in respect of audit and accounts matters.

(4) The Financial Assistant will also as hitherto act as Financial Adviser to the Chief Electrical Engineer, in respect of proposals for expenditure before sanction, and other matters, and his advice will be freely availed of by the Chief Electrical Engineer. The Financial Assistant will continue to work in close collaboration with the Chief Electrical Engineer and bring all account and audit ---- irregularities to the notice of the Chief Electrical --- Engineer with as little delay as possible.

(5) In other matters, the existing procedure will continue, for the present.

5. The Chief Electrical Engineer, however, ~~thinks~~ is of the opinion that it would be a great help to him, in avoiding irregularities etc., if the audit is not entirely separated from him, and he would prefer the continuance of the present system with slight modifications; and that in case it is finally decided that the audit cadre should be separated, he may be given a separate Accounts Assistant to help him in the internal accounts work of the department.

6. On a careful consideration of all aspects of the question Government have come to the conclusion that the interests of the

of safeguarding the revenue and securing a proper control of expenditure of this department could under present conditions be best served by adopting the modifications suggested by the Comptroller, as briefly indicated in para 4 above, as these proposals are calculated to serve the objective of an independent examination by Audit of all the ~~final~~ financial transactions of the Department, while giving the Audit at the same time an opportunity to work in collaboration with the internal organization of the Department.

7. The Comptroller is requested to take necessary further action and to submit detailed proposals in regard to the personnel the pay and prospects of the staff to be employed in the Audit and accounts work and other matters to Government, at a very -- early date.

8. The request of the Chief Electrical Engineer for ~~being given the service of~~ a separate Accounts Assistant, after the revised scheme is brought into effect, will be considered by Government later, along with the proposals regarding staff etc., called for from the Comptroller.

Secretary to Government,
Financial Department.

To

The Comptroller to Government.
The Chief Electrical Engineer.
The other heads of Departments.
The Secretaries to Government.
Press Table. Compiler, Mysore Gazette

A.N.

/D R A F T/

Proceedings of the Government of H.H. the Maharaja of Mysore.

Read:-

G.O.No.Fl.3779-838/G.F.3-24-2 dated 5.1.1925, sanctioning the formation of a Financial Branch as part of the ~~of the~~ internal organisation of the Chief Electrical Engineer's Office with a view to ensuring an effective internal audit of the ~~large magnitude of~~ transactions of the Electrical Department and defining the duties etc., of the Financial Assistant placed in charge of the said financial Branch.

2. Correspondence ending with letter No.1552/Es. dated 22-5-39, from the Comptroller, pointing out certain deficiencies in the existing system under which the Audit officer is placed practically in a position of subordination to the executive head of the Department & submitting proposals calculated to remedy the defects.

3. Letter No.2240 dated 24-7-39, from the Chief Electrical Engineer, submitting his observations on the Comptroller's proposals.

ORDER NO.

Dated, Bangalore, the Aug. 1939.

The Government Order read above laid down, among other things, that the Financial Assistant to the C.E.E. should be entrusted with the following duties:-

1. To be the Financial Adviser to the C.E.E.

2. To be the Accounting Officer of the Electrical Department.

3. To be the Officer in charge of internal Audit of the Financial transactions of the Elec.Deptt.

It was specifically laid down in that Government Order that in all measures re-

relating to audit and accounts, this officer should be guided by the instructions issued by the Comptroller who is the Chief Audit authority in the State. Definite provision was also made in the procedure prescribed therein for reference being made to the Comptroller for decision, ~~of~~ cases in which the Financial Assistant was unable to accept the views of the Chief Electrical Engineer, after giving effect to the latter// 2. In view of the development in operations and the growth in size of the revenue and expenditure of the department including Capital and Depreciation fund works, the arrangement designed for the earlier stages is found to require ~~decision~~ revision, with a view to ensure more efficient and independent audit. The present arrangement requiring the Financial Assistant to approach the Comptroller only through the Chief Electrical Engineer, the administrative head of the department, is found unsuitable, and it is considered desirable ~~to give~~ that the Audit officer should have full freedom in raising objections and in approaching the Comptroller, without the intervention of the administrative head of the department. Barring the Gazetted officers and a few senior Superintendents of the Financial branch, the other subordinate staff ~~xxx~~ of the Secto~~xxxx

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to be not a satisfactory arrangement.

3. The Government of India Accountant, who was deputed to examine the working of the Financial branch of the Electrical department, has also expressed himself in favour of an alteration of the present organisation to ensure that audit is not placed in a position of subordination to the Chief Electrical Engineer.

4. The Comptroller has, after an examination of all aspects of the case (at the instance of Govt.) submitted the following proposals for the consideration of Government:--

(1) The administrative control of the entire Accounts and Audit staff may be transferred to the Comptroller, the head of the Audit and Accounts department of the State.

(2) The Financial Assistant should be directly subordinate to the Comptroller and should work under his instructions and general control and guidance.

(3) All objections taken by the Financial Assistant in the discharge of his audit functions will be final, and in cases where the C E E is not satisfied with the decision of the Financial Assistant, he may make a reference to the Comptroller who has to be accepted as final in respect of audit and accounts matters.

(4) The Fin. Asst. will also act as Financial Adviser to the Chief Electrical Engineer, in respect of proposals for expenditure before sanction, and other matters, and his advice will be freely

freely availed of by the C E E. The Finanial Assistant will ~~also~~ continue to work ~~as heretofore~~ in close collaboration with the C E E and bring all account and audit irregularities to the notice of the C E E with as little delay as possible.

(5)In other matters, the ~~present~~ existing procedure will continue, for the present.

5 The Chief Electrical Engineer, however, thinks that it would be a great help to him, in avoiding irregularities etc, if the audit is not entirely separated from him, and he would prefer the continuance of the present system with slight modifications, and that in case it is finally decided that the audit cadre should be separated, he may be given a separate Accounts Assistant to help him in the internal accounts work of the department.

6 On a careful consideration of all aspects of the question Government have come to the conclusion ~~that~~ that the interests of safeguarding the revenue and securing a proper control of expenditure of this department could under present conditions best be served by ~~making the Audit independent of the Executive, and are pleased to approve~~ of the ~~proposals of the Comptroller in para 4 above~~ adopting the modifications suggested by the Comptroller, as briefly indicated in para 4 above, as these proposals are better calculated to secure the objective of an independant examination by Audit of all the financial transactions of the Dept. while giving the Audit at the same time an opportunity to work in collaboration with the internal accounts organisation of the Dept.

7 The Comptroller is requested to take necessary further action and submit detailed proposals in regard to the personnel, the pay and prospects of the staff to be employed in the Audit and accounts work and other matters, to Government, at a very early date.

8 The request of the Chief Electrical Engineer for being given the services of an

Accounts assistant, after the revised scheme is brought into effect, will be considered by Government later, along with the proposals regarding staff etc called for from the Comptroller.

Secretary to Govt

Financial dept.

22-8-39

To

The Comptroller to Government

The Chief Electrical Engineer
The other heads of departments
The Secretaries to Government

Press Table

PROCEEDINGS OF THE GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

Read :—

Government Order No.Fl.3779-838/G.F. 3-24-2 dated 5th January 1925, sanctioning the formation of a Financial Branch as part of the internal organisation of the Chief Electrical Engineer's Office with a view to ensuring an effective internal audit of the transactions of the Electrical Department and defining the duties etc., of the Financial Assistant placed in charge of the said financial Branch.

2. Correspondence ending with letter No.1552/Es. dated 22nd May 1939, from the Comptroller, pointing out certain deficiencies in the existing system under which the Audit Officer is placed practically in a position of subordination to the executive head of the Department and submitting proposals calculated to remedy the defects.

3. Letter No.2240 dated 24th July 1939, from the Chief Electrical Engineer, submitting his observations on the Comptroller's proposals.

ORDER NO. Fl/328-78/67 7-36-6

Dated, Bangalore 1st September 1939.

The Government Order read above laid down, among other things, that the Financial Assistant to the Chief Electrical Engineer should be entrusted with the following duties:-

1. To be Financial Adviser to the Chief Electrical Engineer,
2. To be the Accounting Officer of the Electrical Department,
3. To be the Officer in charge of internal Audit of the Financial transactions of the Electrical Department.

It was specifically laid down in that Government Order that in all measures relating to audit and accounts, this officer should be guided by the instructions issued by the Comptroller who is the Chief Audit Authority in the State. Definite provision was also made in the procedure prescribed therein for reference being made to the

Comptroller for decision, of cases in which the Financial Assistant was unable to accept the views of the Chief Electrical Engineer, after giving effect to the latter.

2. In view of the development in operations and the growth in size of the revenue and expenditure of the department including Capital and Depreciation Fund Works, the arrangement designed for the earlier stages is found to require revision with a view to ensure more efficient and independent audit. The present arrangement requiring the Financial Assistant to approach the Comptroller only through the Chief Electrical Engineer, the administrative head of the department, is found unsuitable, and it is considered desirable that the Audit Officer should have full freedom in raising objections and in approaching the Comptroller, without the intervention of the administrative head of the department. Barring the Gazetted Officers and a few Senior Superintendents of the Financial Branch, the other subordinate staff of the Section are at present an integral part of the departmental cadre subject to the disciplinary control of the Chief Electrical Engineer. The placing of the audit staff under the disciplinary control of the administrative ~~xxxxxx~~ head of the department, whose sanctions are expected to be examined by them, is also not a satsfactory arrangement.

3. The Government of India Accountant, who was deputed to examine the working of the Financial Branch of the Electrical Department, has also expressed himself in favour of an ~~alternative~~ alteration of the present organisation to ensure that audit is not placed in a position of subordination to the Chief Electrical Engineer.

4. The Comptroller has after an examination of all aspects of the case, at the instance of Government, submitted the following proposals for the consideration of Government:-

(1) The administrative control of the entire staff of Accounts Clerks, Accountants and Superintendents may be transferred to the Comptroller, the head of the Audit and Accounts Department of the State.

66

(2) The Financial Assistant should be directly subordinate to the Comptroller and should work under his instructions and general control and guidance.

(3) All objections taken by the Financial Assistant in the discharge of his audit functions will be final. In cases where the Chief Electrical Engineer is not satisfied with the decision of the Financial Assistant, he may make a reference to the Comptroller as the final authority in respect of audit and accounts matters.

(4) The Financial Assistant will also as hitherto act as Financial Adviser to the Chief Electrical Engineer, in respect of proposals for expenditure before sanction, and other matters, and his advice will be freely availed of by the Chief Electrical Engineer. The Financial Assistant will continue to work in close collaboration with the Chief Electrical Engineer and bring all account and audit irregularities to the notice of the Chief Electrical Engineer with as little delay as possible.

(5) In other matters, the existing procedure will continue, for the present.

5. The Chief Electrical Engineer, however, is of the opinion that it would be a great help to him, in avoiding irregularities etc., if the audit is not entirely separated from him, and he would prefer the continuance of the present system with slight modifications and that in case it is finally decided that the audit cadre should be separated, he may be given a separate Accounts Assistant to help him in the internal accounts work of the department.

6. On a careful consideration of all aspects of the question, Government have come to the conclusion that the interests of ~~the~~ safeguarding the revenue and securing a proper control of expenditure of this department could, under present conditions, be best served by adopting the modifications suggested by the Comptroller, as briefly indicated in para 4 above, as these proposals are calculated to serve the objective of an independent examination by Audit of all the financial transactions of the department, while giving the Audit, at the same time, an opportunity to work in collaboration with the internal organisation of the Department.

7. The Comptroller is requested to take necessary further action and to submit detailed proposals in regard to the personnel,

the pay and prospects of the staff to be employed in the Audit and Accounts work and other matters to Government, at a very early date.

8. The request of the Chief Electrical Engineer for a separate Accounts Assistant, after the revised scheme is brought into effect, will be considered by Government later, along with the proposals regarding staff etc., called for from the Comptroller.

Sd. A. N. Rathnavelu

Secretary to Government,
Financial Department.

To

The Comptroller to the Government of Mysore.
" Chief Electrical Engineer in Mysore.
" Other Heads of Departments.
" Secretaries to Government.
" Compiler, Mysore Gazette.

PRESS TABLE.

'Press & Gazette Copy'

Financial Secy

S. O.

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

FINANCIAL DEPARTMENT.

G. O. No. Fl. 1328-78—G. F. 7-36-6, dated 5th September 1939.

Financial Branch.

Directs the reorganisation of the —— of the Chief Electrical Engineer's Office.

READ—

Government Order No. Fl. 3779-838—G. F. 3-24-2, dated 5th January 1925, sanctioning the formation of a Financial Branch as part of the internal organisation of the Chief Electrical Engineer's Office with a view to ensuring an effective internal audit of the transactions of the Electrical Department and defining the duties, etc., of the Financial Assistant placed in charge of the said Financial Branch.

2. Correspondence ending with letter No. 1552—Es., dated 22nd May 1939, from the Comptroller to Government, pointing out certain deficiencies in the existing system under which the Audit Officer is placed practically in a position of subordination to the executive head of the department and submitting proposals calculated to remedy the defects.

3. Letter No. 2240, dated 24th July 1939, from the Chief Electrical Engineer, submitting his observations on the Comptroller's proposals.

ORDER No. FL. 1328-78—G. F. 7-36-6, DATED BANGALORE, THE 5TH SEPTEMBER 1939.

The Government order read above laid down, among other things, that the Financial Assistant to the Chief Electrical Engineer should be entrusted with the following duties :—

1. To be Financial Adviser to the Chief Electrical Engineer.
2. To be the Accounting Officer of the Electrical Department.
3. To be the Officer in charge of internal Audit of the Financial transactions of the Electrical Department.

It was specifically laid down in that Government order that in all measures relating to audit and accounts, this officer should be guided by the instructions issued by the Comptroller who is the chief audit authority in the State. Definite provision was also made in the procedure prescribed therein for reference being made to the Comptroller for decision, of cases in which the Financial Assistant was unable to accept the views of the Chief Electrical Engineer, after giving effect to the latter.

2. In view of the development in operations and the growth in size of the revenue and expenditure of the department, including Capital and Depreciation Fund Works, the arrangement designed for the earlier stages is found to require revision with a view to ensure more efficient and independent audit. The present arrangement requiring the Financial Assistant to approach the Comptroller only through the Chief Electrical Engineer, the administrative head of the department, is found unsuitable, and it is considered desirable that the Audit Officer should have full freedom in raising objections and in approaching the Comptroller, without the intervention of the administrative head of the department. Barring the Gazetted Officers and a few senior Superintendents of the Financial Branch, the other subordinate staff of the Section are at present an integral part of the departmental cadre subject to the disciplinary control of the Chief Electrical Engineer. The placing of the audit staff under the disciplinary control of the administrative head of the department, whose sanctions are expected to be examined by them, is also not a satisfactory arrangement.

3. The Government of India Accountant, who was deputed to examine the working of the Financial Branch of the Electrical Department, has also expressed himself in favour of an alteration of the present organisation to ensure that audit is not placed in a position of subordination to the Chief Electrical Engineer.

4. The Comptroller has, after an examination of all aspects of the case, at the instance of Government, submitted the following proposals for the consideration of Government:—

(1) The administrative control of the entire staff of Accounts Clerks, Accountants and Superintendents may be transferred to the Comptroller, the head of the Audit and Accounts Department of the State.

(2) The Financial Assistant should be directly subordinate to the Comptroller and should work under his instructions and general control and guidance.

(3) All objections taken by the Financial Assistant in the discharge of his audit functions will be final. In cases where the Chief Electrical Engineer is not satisfied with the decision of the Financial Assistant, he may make a reference to the Comptroller as the final authority in respect of audit and accounts matters.

(4) The Financial Assistant will also, as hitherto, act as Financial Adviser to the Chief Electrical Engineer in respect of proposals for expenditure before sanction and other matters, and his advice will be freely availed of by the Chief Electrical Engineer. The Financial Assistant will continue to work in close collaboration with the Chief Electrical Engineer and bring all account and audit irregularities to the notice of the Chief Electrical Engineer with as little delay as possible.

(5) In other matters, the existing procedure will continue for the present.

5. The Chief Electrical Engineer, however, is of the opinion that it would be a great help to him, in avoiding irregularities, etc., if the audit is not entirely separated from him, and he would prefer the continuance of the present system with slight modifications and that in case it is finally decided that the audit cadre should be separated, he may be given a separate Accounts Assistant to help him in the internal accounts work of the department.

6. On a careful consideration of all aspects of the question, Government have come to the conclusion that the interests of safeguarding the revenue and securing a proper control of expenditure of this department could, under present conditions, be best served by adopting the modifications suggested by the Comptroller, as briefly indicated in para 4 above, as these proposals are calculated to serve the objective of an independent examination by Audit of all the financial transactions of the department, while giving the Audit, at the same time, an opportunity to work in collaboration with the internal organisation of the department.

7. The Comptroller is requested to take necessary further action and to submit detailed proposals in regard to the personnel, the pay and prospects of the staff to be employed in the Audit and Accounts work and other matters to Government, at a very early date.

8. The request of the Chief Electrical Engineer for a separate Accounts Assistant, after the revised scheme is brought into effect, will be considered by Government later, along with the proposals regarding staff, etc., called for from the Comptroller.

A. N. RAGHAVACHAR,
Secretary to Government,
Financial Department.

To—The Comptroller to Government.
The Chief Electrical Engineer in Mysore.
The other Heads of Departments.
The Secretaries to Government.
The Compiler, *Mysore Gazette.*
PRESS TABLE.

Exd.—C. K.

WD 2475—GPB—465—19-9-39